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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC #586-81
5 February 1981

MEMORANDUM FOR: Director of Central Intelligence

VIA : Bruce C. Clarke, Jr.
Deputy Director, National Foreign AssessmentFROM : Robert M. Gates
National Intelligence Officer for USSR-EE

SUBJECT : NSC on Poland

1. We understand from the NSC staff that Dick Allen will open the discussion on Poland with a briefing on the current situation and

[redacted]
[redacted] The talking points at Tab B would supplement what we understand Allen will be presenting, should you be asked or wish to comment.

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2. Secretary Haig will then summarize the status of the Interagency Group's work on contingency measures against the USSR should they invade Poland, as well as the status of consultations with the Allies on such measures. The Secretary has approved the memorandum at Tab C which reviews the political and economic measures already under consideration and it presumably will serve as the basis for his briefing. In this connection, the paper you requested on Western economic leverage is at Tab D. As you are probably aware, there is some interest at the upper levels of State and Defense in the development of more far-reaching economic measures than yet identified should the Soviets intervene.

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3. I recommend you read [redacted]
Secretary Haig's memorandum, as background for Friday's meeting. The salient points in each are underscored.

4. Finally, in the discussion of possible contingency measures, you may want to point out that to the extent planned sanctions are selective and kept under wraps, their deterrent effect is significantly diminished. Maximum deterrence would result from comprehensive, far-reaching measures, agreed by the Allies, and well-publicized in advance (an approach the Allies probably would not countenance).

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Also, the NSC should know that the Soviets almost certainly believe that any sanctions would last no more than a year or two and that there would be at least some loopholes -- a view reinforced by their experience after the invasion of Czechoslovakia and with the post-Afghanistan sanctions. This assessment is in fact probably realistic and will weaken the impact of any planned sanctions as a deterrent.



Robert M. Gates

Attachments:
As Stated

Supplementary Talking Points

Political Situation

- A. Central committee and parliament sessions and Supreme Court decision on farmers union, all next week, will provide indicators of results of leadership debate on moderate policies, particularly whether to use force.
 - Moderates win: political continuation of existing pattern of alternating periods of tension or crisis and short periods of relative calm until Soviet patience runs out.
 - Hardliners win: eventual Polish use of force likely to provoke general strike and possibly uncontrollable violence.
- B. Soviets pressing Kania; may be considering pushing for his replacement. Want a clear line to emerge from next week's decisions.
 - Barring large scale breakdown of order, Soviets probably do not want to intervene before Party Congress (23 February - 4 March)
 - After Congress, maneuvering room broadens; still rather the Poles take coercive measures themselves.

Military Situation

- A. Soviet forces opposite Poland have achieved a level of military preparedness that will permit them to react to events in Poland with speed and flexibility.



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- D. We continue to believe that if the Soviets decide to intervene in Poland with a force of some two dozen divisions, they probably would take one to two weeks to prepare.

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- E. If the Soviets decide to intervene with only a few divisions, preparations could be accomplished in two to three days.

Economic Situation

- A. In 1980, national income declined by 4 percent, agricultural production by 12 percent, industrial production stagnated. Hard currency debt stands at about \$25 billion; the debt service about 100 percent.
- B. Outlook in 81 for the growth of national income, industry and agriculture is again bleak.
- C. Larger trade deficits expected to improve the supply of food and assure supplies of vital raw materials.
- \$12 to \$13 billion needed to cover repayment of principal and interest and cover the current account deficit, exclusive of interest.
 - Will require large scale aid from East and West: not only debt relief but new funds.
 - Negotiations underway to obtain debt relief from Western banks and governments; moving slowly.
 - Unless substantial aid forthcoming quickly, Poland could default within the next few months.

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DEPARTMENT OF STATE

ACTION MEMORANDUM

30 JAN 1981

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TO: The Secretary

THROUGH: P - Mr. Newsom

FROM: EUR - George S. Vest *GSV*

SUBJECT: Polish Contingency Planning: Allied Consultations

Issue

Approval of contingency political and economic measures to be decided by NATO Foreign Ministers in the event of Soviet intervention in Poland.

Discussion

At Tabs A & B are lists of political and economic measures which could be taken in the event of Soviet intervention in Poland.

The list of political measures (Tab A) was forwarded to capitals by NATO permreps on December 11. In the event of a Soviet intervention, NATO ministers are to meet in emergency session and decide which ones are to be implemented in the light of the actual circumstances of Soviet action. The list of political measures has been subsequently discussed with the British, French and Germans with relevant comments indicated in indented paragraphs.

The list of economic measures (Tab B) are the product of ad referendum work among the Four which refines the list of possible economic measures submitted by the British following the December NATO ministerial. You already agreed that we can continue discussing this list with the Four.

At the January 30 interagency meeting on Poland chaired by David Newsom there was unanimous agreement that this Administration should endorse this earlier contingency planning as a basis for further allied consultation and for eventual action by NATO ministers in the event of Soviet intervention. We

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would like to be in a position to have Walt Stoessel convey this to the British, French and German Ambassadors when he meets with them on February 9. Early next week Bob Hormats and Mike Rashish will be discussing the economic program with economic Cabinet members not involved in David Newsom's meeting.

Recommendation

That, assuming that the talks with the economic agencies go well, you authorize us to inform the British, French and Germans that the new Administration endorses the political and economic contingency planning which has gone on to date on Poland as a basis for further consultations and action in the event of Soviet intervention. We may also subsequently wish to inform other allies, but that depends upon the tactics we work out with the British, French and Germans.

Approve ✓

Disapprove _____

Attachments:

- Tab A List of Political Measures
- Tab B List of Economic Measures

Drafted: EUR:RLB:ry/msp
1/30/81: Ext 21752

Clearance: EB: EJohnston *E.J.*

Ernest Johnston

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Possible Political Measures

Since December 23, 1980 discussions in the Alliance, in smaller groups, and bilaterally have drawn on the list circulated by the NATO International Staff and which NATO PermReps agreed should form the essential elements for a menu to be studied further in capitals and then decided by Foreign Ministers at an emergency Ministerial following soon after any intervention. Wording of and the numbering of measures below follows the form in that NATO document. Indented comments reflect the conclusions on meetings of the Washington group (the French, British and German Ambassadors plus the Under Secretary of State for Political Affairs).

1. Make protest demarches where and as appropriate.
2. Call for emergency UN Security Council Meeting and, if appropriate, a meeting of the General Assembly.

This measure has been discussed among Allied UN PermReps in New York.

3. Conduct intensive campaign of public condemnation
4. Recall Ambassadors from Moscow and, perhaps other Warsaw Pact capitals for consultations.

From Moscow

A) Ambassadors should be recalled at as close to the same time as possible so that a signal of unity is preserved and it does not appear that any Allies are dragging their feet

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B) Make clear that they are recalled for consultations rather than as a permanent measure.

C) Before they are sent back to Moscow there should be consultations among the interested countries so that the return does not signal disarray.

From Other Warsaw Pact Capitals

A) As with other measures involving the other Eastern Europeans, including the GDR, whether and how to act will depend upon the actual nature of the governments' participation. (It is understood that the FRG has special interests where the GDR is concerned.)

From Warsaw

A) If the Soviets put in a puppet government then Ambassadors should probably be recalled for consultations.

B) If the Kania government survives and its role in the intervention is unclear then the question of recall would need to be studied further in the light of all the facts.

C) If the Polish Government joins the people in resisting then Ambassadors should probably not be recalled since the Poles will need Western moral support and because Ambassadors could be vital in helping with refugee needs.

5. Suspend participation in the CSCE Madrid meeting following condemnation of Soviet actions on the basis of the Helsinki Final Act.

Further consultation is required to agree upon a scenario that would make clear that the NATO Allies left the Madrid meeting because of a most serious Soviet violation of the Final Act and that a resumption of these talks would require actions by the Soviet Union to restore confidence.

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In addition to making clear that the Soviets are to blame, the Allies should reaffirm their support for the Helsinki Final Act, the continuation of the CSCE process, and try to make it possible for the neutrals to support our position.

6. Suspend participation in arms control and disarmament negotiations such as MBFR, CTB, CD, CDE.

(See Note under #7)

7. Review with the United States SALT and LRTNF negotiations.

The French position was that all of the above should be suspended equally because the Soviets would have shown they were not trustworthy partners. Nonetheless, for any talks that were not actually in session, the French could agree that they would not need to be formally broken off so long as there was Western agreement not to resume them while the Polish problem continued.

The German Ambassador stressed that his government would not want to have suspended CTB, SALT or LRTNF.

The US suggested that the record show that there had been no consensus regarding the public suspension of the following arms control negotiations: MBFR, SALT, CTB and TNF.

It was agreed that further work was required on these measures, and it was noted that the new US administration is presently reviewing these issues.

8. Impose additional restrictions on Soviet, and possibly other Warsaw Pact Embassies, including limits on travel and staff at all levels.

Needs further work on what agreed measures would be.

9. Suspend all exchanges of high-level visits with Warsaw Pact States participating in the intervention.

It was agreed that such a measure should be immediately implemented and that consultations would be undertaken before any high-level visits were subsequently undertaken.

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10. Suspend major cultural, academic, scientific and athletic exchanges and, if applicable, the execution of cultural agreements.

In general there are very serious problems with formally announcing the non-implementation of bilateral governmental agreements -- including in the cultural field.

Perhaps a distinction can be drawn between those culture, art and sporting exchanges that can be stopped at little cost, and those in the educational and scientific fields that enhance Western influence in the East.

Further refinement required.

11. Urge like-minded and other countries to emulate Allied measures.

It was agreed that it is very important to have nations like Japan, Australia, New Zealand, and Spain take similar measures and that this required consultation -- which for now it was agreed should be bilateral. This topic is under active discussion at NATO.

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Possible Economic Measures
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1. All exports from our countries to the Soviet Union not covered by existing contracts are embargoed.
2. No new official credits, credit guarantees, or credit insurance shall be issued in support of trade with the Soviet Union. We further recommend that private banks exercise strong restraint in providing new financial facilities, loans and credits to the USSR.
3. We will curtail, to the extent possible under existing agreements, air, land, and sea transport services with the USSR, and Soviet fishery in waters under our jurisdiction.
4. We call upon our companies to take note of the new political situation and to exercise restraint in their commercial dealings with the Soviet Union, and we ask them to establish no new commercial representation in the Soviet Union.
5. We will examine, jointly and urgently, possibilities for further restraints particularly on the transfer of advanced technology.
6. In addition, economic advisors shall continue to examine all the possibilities suggested in the British list and those raised in their previous discussions.
7. The question of whether to apply similar measures against other members of the Warsaw Pact will be considered in the light of their actual participation. (Regarding the GDR, it is understood that the FRG has special concerns.) How Poland itself will be treated would depend, inter alia, on whether the Polish Government invited in and cooperated with Soviet military activities.
8. While not a post-intervention measure, the important question of immediate economic assistance for Poland, including debt relief, is also on the agenda as it relates to chances for deterring an intervention.

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Soviet-Western Economic Ties

1. Soviet Stake in Economic Ties with West

- During the 1970s the USSR looked increasingly to the West to help bolster a faltering economy.
- Share of trade with non-Communist countries climbed from less than 35 percent of total Soviet trade in 1970 to almost 45 percent of trade turnover last year.
- In value terms, exports plus imports jumped from less than 10 billion to more than \$50 billion.
- Purchases of grain and other farm products by the USSR have become increasingly important in the wake of agricultural failures.
 - Bought nearly \$9 billion worth of agricultural goods last year and will buy even more this year.
 - US has been and will remain major supplier in normal circumstances
- Also buy substantial quantities of steel products, both pipe and rolled products.
- But Soviet leaders have given highest priority to acquisition of Western technology through legal trade, evasion of COCOM controls, and clandestine channels.
 - Share of equipment imported from West is less than 10 percent of Soviet investment in new machinery but impact is large in number of key areas.
 - Western drilling rigs, submersible pumps, large-diameter pipe, and pipeline equipment have played important role in Soviet oil and gas development.
 - Soviets have used Western automotive technology to modernize and expand production of heavy trucks and passenger cars (Kama River plant builds trucks and engines for both civilian economy and military).
 - Because of importance of semiconductors for computers and military electronics, USSR has spent hundreds of millions of dollars for Western production and testing equipment, much of it illegally.
 - Soviet computers of poorer quality and in short supply, so Moscow has bought \$500 million worth of computers and related equipment in past 10 years.

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- US part in supplying technology is not dominant; other countries can supply most equipment except for oil and gas industry and computers.
- With economy strained in 1980s, USSR needs major boost in productivity to satisfy demands of consumption, investment, and defense.
- increasing imports of Western technology most certain source of productivity gains
- and as oil exports decline (and imports begin) Western credits will be needed to pay for grain and machinery.

2. Western Dependence on USSR

- Developed country dependence small in aggregate; USSR accounts for only about 2% of total Western exports and imports
- Among the major West Europeans, 2.1 percent of West German exports go to the Soviet Union, 1.0 percent of UK exports go to the Soviet Union; US figure is 1.9 percent.
- USSR buys mainly grain, steel, and manufactures from West and sells oil and gas, raw materials, and semi-finished goods to the West.
- Instability in Persian Gulf, however, has made Soviet oil and gas more attractive to Western Europe.
- Willingness to buy in on huge new natural gas pipeline project (although some second thoughts by French).
- Although by no means in a monopoly position, the USSR is an important supplier to the West of certain strategic minerals and metals such as chromium, platinum, and palladium.
- And for some West European countries and Japan, Soviets are major market for regions and companies.
- FRG's Mannesman built large plant specifically to service Soviet orders for large-diameter pipe.
- Japanese steel makers in 1980 signed long-term agreement to sell 1 million tons of pipe per year to USSR.

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3. Relative Vulnerabilities

- If there were a major reduction in East-West trade, Soviets would suffer far more than West.
 - West's diversity of supplies of oil and gas and some minerals would be less; thus more dependent on Middle East and Africa.
- USSR would not be able to sustain its livestock program.
 - Effect would be sudden.
 - Under best of circumstances living standards unlikely to improve much in the 1980s; loss of access to Western grain would be heavy blow.
- Denial of Western technology would compound USSR's technological inferiority unless they made unexpected strides in assimilating new technology.
- Energy shortages would be more serious than we already expect, limiting economic growth.
 - USSR lags behind US in technology for exploiting oil and gas, especially in deep structures and offshore.
 - Although Soviets have vast long-term potential, they need Western help.
- Competition for machinery between military and civilian uses would be greatly aggravated; either investment or military programs would have to give.

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Soviet Foreign Trade in 1979

	(Billion US\$)	
	<u>Soviet Exports to:</u>	<u>Soviet Imports from:</u>
Communist Countries	36.1	32.7
Industrialized West	19.1	20.3
Less Developed Countries	9.6	4.9

Soviet Commodity Trade with Non-Communist Countries

<u>Exports</u>	<u>\$19.5</u>
Crude and oil products*	9.6
Natural gas*	1.4
Machinery and equipment	1.6
Wood and related products	1.4
Other	5.5
<u>Imports</u>	<u>\$21.6</u>
Machinery and equipment	6.0
Grain**	3.7
Other agricultural goods	1.3
Steel	3.4
Other	7.2

* Soviet energy exports were 6-7 percent of West European consumption of primary energy.

** Grain imports were equal to 16 percent of Soviet grain production.

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DEPARTMENT OF STATE

Washington, D.C. 20520

January 26, 1981

MEMORANDUM

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TO: Interagency Group on Poland
FROM: Department of State
SUBJECT: The "British List"

The attached list was prepared by UK authorities on December 19, 1980, in response to discussions with us, the FRG and the French and to help meet a request from NATO foreign ministers for a "menu" or list of economic measures that could be taken in the event of Soviet intervention in Poland. The list was introduced at NATO and accepted by all Perm Reps as an informal basis for study in capitals. The list is based on the assumption of a "worst case" -- a bloody and violent Soviet intervention. The British do fear, however, that it will be hard to choose from such a list in order to calibrate a response to a more ambiguous Soviet intervention. The notion of financial measures has been dropped, other than general advice to banks not to increase loans to the USSR.

Attachment:

As stated.

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